

1 CHAIRMAN JAMES: Mr. Rychlak.

2 MR. RYCHLAK: Good morning, and thank you for
3 inviting me to appear here today. My name is Ron Rychlak and
4 I'm the associate dean of academic affairs and a professor of
5 law at the University of Mississippi.

6 For several years now, one of my areas of interest
7 has been in gambling and gaming issues, and that developed
8 before the industry even moved to the state. I had done a
9 little bit of work in private practice, and when I moved to the
10 publish or perish world of academia, I thought I had to write on
11 an area I knew a little bit about, and it's turned out well.

12 The materials I sent along with me today include
13 three lottery articles that I wrote, as well as seven articles
14 written by students from my gaming law class. To have students
15 be that productive and successful is one of the things in which
16 I take most pride as a professor.

17 The gaming industry has certainly come to
18 Mississippi in a big way and I think the results have been
19 decidedly mixed. There are clear benefits in terms of increased
20 employment and tax revenue, new construction, tourism and
21 greater economic activity. Just on the way down I turned on the
22 news and saw a new report saying there are fewer people on
23 welfare and fewer people on food stamps.

24 On the downside, bankruptcy is up, crime is up,
25 suicide is up, divorce is up, and some in our state are
26 concerned about the general corruptive influence that gambling

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1 has had on the state's morality. In fact, yesterday in Biloxi I
2 spoke for a long time to a Methodist minister from Biloxi who
3 takes care of the poorest people in Biloxi, and that was one of
4 his big objections.

5 My personal assessment of the situation in
6 Mississippi is that so far the beneficial impacts have
7 outweighed the negative impacts, but it's a close call and it's
8 a call that could switch at some point in the future.

9 Legalized gambling, it seems to me, impacts
10 different localities in different ways. As you know, in my
11 state the riverboat casinos -- which look about as seaworthy as
12 Sears Tower -- are restricted to certain counties, and it's
13 clear that both the beneficial and the negative impacts from
14 legalized gambling have their greatest impact in those counties,
15 and even within those counties there are some differences.

16 Clearly, the difference between what we've seen in
17 Tunica which, if you go back less than ten years ago,
18 presidential candidates traveled to to show American poverty at
19 its worst -- Jesse Jackson called it America's Ethiopia -- it's
20 been a tremendous turnaround. Biloxi now aspires to be a new
21 Las Vegas; on the other hand, Vicksburg, Natchez, we've not seen
22 as dramatic a change, although there have been some changes
23 there.

24 Where gambling is you see the most jobs, the most
25 economic activity, and I think because of that localized impact,
26 it's appropriate to limit certain types of gambling, limit it in

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1 certain areas, certain states, certain areas within a state.
2 Gambling comes in so many forms and it's so controversial, it
3 has so many impacts, that it's appropriate to leave these
4 decisions to what type of gambling, what will be permitted to
5 individual states, if not individual counties. I think that was
6 one of Chuck Patton's points a few minutes ago when he was
7 talking: different areas require different regulatory schemes.

8 Despite the clear financial incentives, many states
9 have resisted casino-style gambling, some states have resisted
10 gambling altogether or nearly altogether. This suggests to me
11 the very deeply held convictions that many people have about
12 gambling which traditionally has been considered a vice; it also
13 reflects concern about possible psychological dependency, as you
14 discussed this morning.

15 I would stop here and note something for a minute.
16 Traditionally, I think, a lot of people look upon lotteries as a
17 lesser form of gambling; they think: Well, it's just a lottery,
18 it's not like a casino, it's not going to be as bad. But if you
19 look back at history -- and we have a long history of gambling
20 in this nation; it goes back to the Revolutionary area, it goes
21 back to a lot of lotteries in the early 1800s, and again
22 following the Civil War -- you'll see that traditionally the
23 Supreme Court has viewed lotteries as the worst kind of gambling
24 because it goes everywhere, it pervades the area.

25 I agree with that historic interpretation. It's
26 more fully described in one of my Law Review articles, but I

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1 think that lotteries are particularly bad because they convey
2 the impression that the state is actually encouraging gambling
3 rather than, in sort of a libertarian way, permitting it. I
4 think, to a certain extent, that's what Representative Perkins
5 was talking about with his comments.

6 The sanctioning of some types of gambling, legalized
7 gambling, also as Mr. Bowen touched on, encourages people to
8 think: Well, it's okay then to engage in illegal gambling. And
9 I think lotteries do that more than others.

10 This is not just a Supreme Court kind of fluke kind
11 of thing. As Mr. Bowen touched on again, almost all states had
12 constitutional prohibition against lotteries up until about 20
13 years ago. These were put in place, for the most part from
14 about 1820 to about 1880, because lotteries were seen as a very
15 seductive thing that legislatures in the future would turn to as
16 a way to help -- they would charter a lottery, someone would run
17 the lottery, and the state would make money that way.

18 Other kinds of gambling were never written into the
19 state constitutions and they were in almost all state
20 constitutions up until about 20 years ago. I mean, that's
21 something that I think is important to think about.

22 In addition to casino-style gambling, lotteries,
23 another type of gambling that should be mentioned is parimutuel
24 gambling, typically found at horse tracks or dog tracks. This
25 traditionally has been seen as less morally objectionable, I
26 think it has fewer of the problems associated with gambling than

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1 lotteries or even casino gambling; however, these are proving to
2 be less financially viable when they go head to head against the
3 casino -- I think they had a lot of trouble with that in Texas
4 trying to get these things off the ground -- because you don't
5 have the constant action, the heavy fast betting that you can
6 have in a casino.

7 So the dog tracks and horse tracks are trying to put
8 in slot machines and off-track betting so people can continually
9 bet, and as they do that, they move toward a traditional casino
10 sort of setting and will, I think, attract more of the problems
11 that have not thus far been associated with this kind of
12 parimutuel betting.

13 In discussing different forms of gambling, I've not
14 singled out Indian gambling for separate treatment because, to
15 the extent I'm familiar with it, Indian casinos are not
16 necessarily distance from normal casinos or riverboats. There
17 are certain differences in terms of games that they can offer
18 and in my state they don't have to be on the water, but other
19 than that, the operation, from a customer standpoint, is not
20 significantly different.

21 From an operational standpoint, there are certain
22 tax advantages that Indian casinos benefit from. Donald Trump
23 has been very outspoken about he has to compete with Indian
24 casinos that don't have to pay the same taxes that he does. But
25 other than those two sort of things: additional games, free
26 from some restrictions -- and I think those are things that are

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1 sort of inherent in constitutional issues because of the
2 separate status that Indian tribes have.

3 Regarding other advantages and disadvantages of
4 certain types gambling have, I think lotteries have the
5 advantage of certain type of advertising. If you listened to
6 St. Louis Cardinals baseball, if you were trying to catch Mark
7 McGwire's 62nd, would have heard advertisements that say: "When
8 you play, your money works for Missouri." There is that sort of
9 state, almost civic obligation that comes through with lotteries
10 that concerns me.

11 Earlier this year when the Power Ball grew so big
12 that the jackpot itself became newsworthy, it attracted,
13 therefore, tremendous free advertising. I think those are some
14 advantages that lotteries have.

15 I would note, as was touched on earlier, video
16 gambling devices are particularly worrisome. I think that you
17 get to play by yourself, you don't have to have somebody
18 watching you, so you don't have the embarrassment of: I don't
19 know how to make this bet, I feel a little silly here. I
20 actually have a friend once who hit on a soft 21, and it's very
21 embarrassing to do something like that, but not if you're
22 playing with a machine.

23 And so people who don't know how to gamble go to
24 these things and sit there and play these machines, and I think
25 that accounts for some of the change in the demographics we see
26 as to who is developing gambling problems. It used to be middle

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1 aged men who could afford to fly out to Vegas would go gamble;
2 now anybody can go to the local casino and sit down and kind of
3 learn how to gamble by dropping quarters or dollars into a
4 machine and not have that embarrassment. I think that's
5 something that you've got to keep in mind.

6 Already in the works -- I'm scheduled to talk about
7 something next month -- but already there are prototype machines
8 that have a little video screen in the machine that will allow
9 you perhaps to watch the sporting game so you can keep playing
10 and watch the game, or the soap opera, or order food or drinks,
11 and perhaps one day connect with an outside computer which might
12 be rigged up to your bank account. That's going to be a major
13 concern for the future; those will give regulators a lot of
14 things to think about in the future.

15 I think that these things do boil down to we have
16 certain common elements that cut across all gaming areas but I
17 do believe that there are more individual specific problems,
18 locality to locality, state to state, and regulators have to
19 adapt to that. Regulators, whether it's the New Jersey
20 adversarial approach, traditionally more adversarial, or the
21 Mississippi approach which has been a little bit closer to the
22 industry, I think that these are things that should be decided
23 at a local level, not at the federal level.

24 And with that, I'll conclude my comments. Thank
25 you.

26 CHAIRMAN JAMES: Thank you very much.

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